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THE NEW COTTON LOAN PLAN

A radio interview between Jesse W. Tapp, Agricultural Adjustment Administration, and Morse Salisbury, broadcast Monday, August 31, 1937, in the Department of Agriculture period of the National Farm and Home Hour by the National Broadcasting Company and a network of associated radio stations.

SALISBURY:

From Washington now we bring you a special report on the newly announced cotton loan, and the cotton price adjustment payment. I'm going to call on Jesse W. Tapp, Assistant Administrator of the Triple-A, who helped work out details of the plan to report it to you.

TAPP:

Thanks, Morse. Suppose we begin with the loan.

SALISBURY:

Aren't the loan and the price adjustment tied pretty close together?

TAPP:

Yes they're related but not so closely that we can't consider them as separate programs. They.....

SALISBURY:

Do you mind if I interrupt right there, Jess.

TAPP:

Not at all.

SALISBURY: For my benefit and the benefit of a lot of the rest of us who don't know much about cotton, tell me, what are the reasons for the loan and payment programs?

TAPP:

Well, the primary reason is a prospective 15,600,000 bale cotton crop, the largest since 1932. Prices have gone down until they are well below 10 cents a pound.

SALISBURY:

That's a pretty low price for cotton.

TAPP:

Yes, the lowest since 1933. Comparatively speaking, cotton is a good deal lower right now than wheat, corn or the other major farm commodities.

SALISBURY:

Well, Congress took some action about this cotton situation. Will you tell about that?

TAPP:

Yes. Congress did two things about it. First, it passed a resolution (over)

promising to take up general farm legislation just as soon as it reconvenes. If this legislation follows the principles outlined in the resolution, the Government will have authority to adjust cotton production and prevent the accumulation of burdensome surpluses. And second, Congress appropriated one hundred and thirty million dollars for a cotton price adjustment payment.

SALISBURY:

Jess, I believe that explanation brings us back to where you were when I interrupted your story of the loan. Will you go ahead please.

TAPP:

The Commodity Credit Corporation will lend 9 cents a pound on 7/8 inch middling cotton.

SALISBURY:

7/8 inch middling cotton? You know I'm from Kansas, Jess.

TAPP:

Yes, Morse, and Kansas grows some cotton too, but 7/8 inch is the length of the cotton fibre. Middling refers to the grade of the cotton; the color and lustre of the fibre. Roughly speaking, middling cotton is average in grade. The Commodity Credit Corporation will also lend 8 cents and 7 3/4 cents on cotton less than 7/8 inch or under middling in grade. But some inferior cotton will not be eligible for any loan at all.

SALISBURY:

The real purpose of these loans is to put a bottom under cotton prices?

TAPP:

Yes. But we didn't want to try to peg the price of cotton with a loan higher than the going market price. We tried to select a loan rate which would prevent disorderly marketing and at the same time would allow the cotton to move freely into domestic and world markets.

SALISBURY:

Aren't the details of this loan much like the loans of 1933, and 1935?

TAPP:

Yes, the 1937 loans will bear interest at 4 percent and will mature on July 31st, 1938. The loans will be available on or before September 15, because every day now, wagons piled high with cotton are rumbling to the gins.

SALISBURY:

Well, if that winds up the most important information on the cotton loans, let's move on to the payment plan.

TAPP:

That is very much like the 1935 plan. There is one important difference, however. In 1935, the farmers were paid just as soon as the arrangements could be worked out. But the farmers who receive the adjustment payment on this year's crop won't get their money until next year and then only if they have done certain things.

SALISBURY:

And would you specify those "certain things", Jess?

TAPP:

Well, to receive the payment a farmer must participate in and comply with whatever cotton adjustment program is in effect in 1938. And he will be paid only after he has furnished proof of such compliance.

SALISBURY:

That precaution is to give the government extra assurance that a sufficient number of cotton growers will take part in next year's programs to make them effective.

TAPP:

Exactly.

SALISBURY:

And now, Jess, we come to an important question for growers. How much will cotton growers who comply with next year's adjustment program be paid?

TAPP:

That depends on several factors. Provided they sell their cotton before July 1, 1938, they will be paid the difference between 12 cents a pound and the average price of 7/8 inch middling cotton on the ten spot markets on the day they sell their cotton.

SALISBURY:

Perhaps you'd better illustrate that.

TAPP:

I'll try, but first let me say that the payment will not be more than three cents a pound, and that it will be limited to 65 percent of a cotton grower's base production.

SALISBURY:

That calls for a little more explanation.

TAPP:

Well, the ten spot markets are ten of the principal markets where actual cotton is bought and sold. For example, let us say that you sell 10 bales of cotton today and that the average price on the 10 markets is 9 1/2 cents a pound. You would be paid the difference between that and 12 cents a pound, or two and a half cents a pound on 10 bales. Since the average bale weighs about 500 pounds, the total payment would be \$125 on the 10 bales.

SALISBURY:

You said something about paying only on 65 percent of a growers' base production.

TAPP:

Oh, yes. As you know, base production simply means average production over a representative period in the past. If you averaged 100 bales a year, that 100 bales is your base and you would be eligible for payment on 65 per-

cent of that or, 65 bales. We must be careful to keep payments within the \$130,000,000 appropriated by Congress.

SALISBURY:

You make these programs sound simple, even to an old non-cotton grower like myself. Thank you very much. Now

TAPP:

Just one moment, Morse. I want to urge all cotton growers to save their 1937 sales receipts. They must sell the cotton and have evidence that they have sold it to collect their adjustment payments.

SALISBURY:

Thank you Jess. Farm and Home Listeners, you have heard Mr. Jesse W. Tapp, Assistant Administrator of the Triple-A, reporting on the newly announced cotton loan and payment plan designed to help cotton growers.

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